

# RatingsDirect®

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## Summary:

# Santa Fe County, New Mexico; General Obligation

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## Summary:

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### Credit Profile

US\$45.075 mil GO rfdg and imp bnds ser 2015 due 07/01/2029

*Long Term Rating* AA+/Stable New

Santa Fe Cnty GO bnds ser 2008

*Long Term Rating* AA+/Stable Affirmed

## Rationale

Standard & Poor's Ratings Services assigned its 'AA+' long-term rating on Santa Fe County, N.M.'s series 2015 general obligation (GO) refunding and improvement bonds. At the same time, Standard & Poor's affirmed its 'AA+' long-term rating on the county's existing GO bonds. The outlook is stable.

The rating reflects our opinion of Santa Fe's:

- Adequate economy;
- Strong management conditions that support finances;
- Strong budgetary performance;
- Very strong budgetary flexibility based on available general fund reserves;
- Very strong liquidity for operations and debt service;
- Weak debt and contingent liabilities position; and
- Very strong institutional framework score.

The county's full faith and credit pledge and an unlimited ad valorem property tax on all taxable property within Santa Fe County secures the bonds. We understand that the county will use proceeds to refund its series 2005A, 2007A, and 2007B GO bonds to achieve interest savings. The county will also use proceeds from the bonds to fund various road, water, and recreation projects.

### Adequate economy

Santa Fe County's local economy is adequate, in our view, with per capita market value and projected per capita effective buying income at roughly \$127,204 and 94% of the national average, respectively. According to the U.S. Bureau of Labor Statistics, Santa Fe County's unemployment rate was 5.5% in 2013. The city of Santa Fe, the county seat, is also the state capital and one of the Southwest's premier tourist and resort destinations. The federal, state, city, and county are among the leading 10 employers in Santa Fe County, with the state and the Los Alamos National Laboratory comprising the top two. The transportation, trade and utilities, education and health services, and leisure and hospitality sectors are also leading components of Santa Fe Metropolitan Statistical Area employment.

### Strong management conditions

We consider Santa Fe County's management conditions to be strong with good financial practices under our Financial Management Assessment methodology, indicating financial practices exist in most areas but that governance officials

might not formalize or monitor all of them on a regular basis. Strengths of the assessment, in our opinion, include strong revenue and expenditure assumptions in the budgeting process, strong oversight in terms of monitoring progress against the budget during the year, strong investment management policies, and a reserve policy that goes beyond state requirements.

### **Strong budgetary performance**

In our view, Santa Fe County's budgetary performance is strong overall, with a 6% surplus for the general fund and a 3% deficit for the total governmental funds in fiscal 2014. The improved performance in the general fund from the prior years was the result of an increase in revenues and a decline in expenditures. Included in general fund operations are public safety (sheriff and fire operations), which are outside the general fund on a budgetary and audited basis. We included public safety operations in the general fund due to the essential nature of these operations and to provide comparability across credits. The county's 2015 end-of-year estimates show nearly break-even operations.

### **Very strong budgetary flexibility**

With adjusted available reserves at 67% of operating expenditures in fiscal 2014, Santa Fe County's budgetary flexibility is very strong in our opinion. Available reserves include a \$27 million restricted balance for the three-12th mandated general fund reserve and \$19.5 million in committed fund balances. In addition to the aforementioned fund balance, the county has about \$16 million in public safety funds that could be used to support sheriff and fire operations. The county estimates it will maintain its reserves in fiscal 2015 with nearly breakeven operations in the general fund. In our view, current and projected reserve levels are a credit strength as the available fund balance was more than 30% for the most recent audited year, and we expect it to remain above that level for the current and following years.

### **Very strong liquidity**

We consider Santa Fe County's liquidity very strong, with a total governmental funds debt service ratio of more than 120% of total government available cash and more than 15% of total governmental funds expenditures in fiscal 2014. We anticipate for the county's liquidity score to remain very strong in the current and subsequent years. Based on past issuances of debt, we believe that the issuer has strong access to capital markets to provide for liquidity needs, if necessary.

### **Weak debt and contingent liabilities**

We view Santa Fe County's debt and contingent liabilities profile as adequate. Net direct debt is 160% of total governmental fund revenue, and total governmental funds debt service is 14% of total governmental fund expenditures. The series 2015 series is the second series from its 2012 election authorization. We understand that the county plans to issue \$8 million in the final series in 2016. The county plans to request additional GO authorization from voters in 2016.

Last year, Santa Fe County contributed 100% of its annual required pension contribution. The annual pension and other postemployment benefit costs accounted for 7% of total government expenditures in fiscal 2014.

### **Very strong institutional framework**

The institutional framework score for New Mexico is very strong.

## **Outlook**

The stable outlook reflects our opinion that the county will maintain very strong liquidity and budgetary flexibility. The county's strong financial management practices and policies enhance stability. We do not expect to revise the rating during the next two years due to the aforementioned credit strengths; however, should budgetary performance weaken, resulting in a deterioration of budgetary flexibility, we could lower the rating.

## **Related Criteria And Research**

### **Related Criteria**

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006

### **Related Research**

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

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